

Message Text

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FOLLOWING REPEAT STATE 026601 ACTION EC BRUSSELS OECD PARIS
INFO BONN BRUSSELS DUBLIN LONDON LUXEMBOURG PARIS ROME
THE HAGUE COPENHAGEN STOCKHOLM OTTAWA TOKY 03 FEB

QUOTE

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OECD FOR TRADE COMMITTEE DELEGATION

E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT:ITC FINDINGS ON SPECIALTY STEEL

1. EC DELEGATION PRESENTED NOTE COMMENTING ON ITC
FINDINGS TO EUR/RPE DIRECTOR PREEG ON FEBRUARY 3. TEXT
FOLLOWS:

2. THE DELEGATION OF THE COMMISSION OF THE EUROPEAN
COMMUNITIES PRESENTS ITS COMPLIMENTS TO THE DEPARTMENT OF
STATE AND HAS THE HONOUR TO REFER TO THE INTERNATIONAL
TRADE COMMISSION'S RECOMMENDATION TO THE PRESIDENT,
ANNOUNCED ON JANUARY 16, 1976, TO THE EFFECT THAT QUOTAS
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SHOULD BE IMPOSED ON IMPORTS OF SPECIALTY STEEL INTO THE

UNITED STATES, UNDER SECTION 201 OF THE TRADE ACT OF 1974.

THE DELEGATION IS INSTRUCTED TO EMPHASIZE THE SERIOUS DANGER THAT UNILATERAL MEASURES OF PROTECTION, INTRODUCED AT A TIME WHEN STEEL INDUSTRIES IN MANY COUNTRIES ARE STILL SUFFERING FROM THE EFFECTS OF WORLD RECESSION, WILL SNOW-BALL AND PROVOKE PROTECTIONIST ACTIONS ELSEWHERE. THE COMMUNITY FOR ITS PART WAS MINDFUL OF THIS DANGER WHEN, FACED WITH SIMILAR NEEDS AND PRESSURES TO THOSE WHICH NOW CONFRONT THE U.S. ADMINISTRATION, IT RECENTLY SOUGHT INTERNATIONAL CONSULTATION IN ACCORDANCE WITH THE OECD TRADE PLEDGE. THE COMMUNITY NOW INVITES THE UNITED STATES TO HAVE EQUAL REGARD FOR ITS COMMITMENT TO OPEN WORLD TRADE.

THE DELEGATION IS ALSO INSTRUCTED TO QUESTION CERTAIN OF THE ECONOMIC ARGUMENTS TO WHICH WEIGHT IS GIVEN IN THE I.T.C.'S REPORT AND WHICH DO NOT APPEAR TO WARRANT THE SAFEGUARD ACTION RECOMMENDED.

IN THE COMMUNITY'S VIEW, THE CURRENT DIFFICULTIES EXPERIENCED BY SECTORS OF THE U.S. STEEL INDUSTRY ARE OF A SHORT-TERM, CYCLICAL NATURE, LIKE THOSE IN OTHER INDUSTRIALIZED COUNTRIES. THUS THERE ARE ALREADY CLEAR SIGNS OF AN UPWARD TREND IN THE STEEL-USING SECTORS OF THE U.S. ECONOMY. CURRENT DIFFICULTIES MANIFESTLY DO NOT REFLECT A PERMANENT OR FUNDAMENTAL DETERIORATION IN THE COMPETITIVE POSITION OF U.S. PRODUCERS. INDEED, A STUDY RECENTLY PREPARED FOR THE DEPARTMENT OF COMMERCE BY THE INDUSTRIAL ECONOMICS RESEARCH INSTITUTE OF FORDHAM UNIVERSITY STATES THAT "THE UNITED STATES HAS MOVED INTO A POSITION WHERE IT IS COMPETITIVE ON A COST BASIS WITH MOST OF THE STEEL INDUSTRIES IN THE WORLD" AND THAT "THIS IS PARTICULARLY TRUE WITH RESPECT TO WESTERN EUROPE".

THE COMMUNITY HAS NOT FOUND CONVINCING EVIDENCE IN THE I.T.C. REPORT THAT SPECIALTY STEELS ARE BEING IMPORTED INTO THE UNITED STATES IN SUCH INCREASED QUANTITIES AS TO BE A CAUSE OR THREAT OF SERIOUS INJURY LIMITED OFFICIAL USE

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SUBSTANTIAL ENOUGH TO JUSTIFY SAFEGUARD ACTION WHETHER UNDER THE GATT, OR UNDER THAT PROVISION OF THE TRADE ACT WHICH REQUIRES "A CAUSE WHICH IS IMPORTANT AND NOT LESS THAN ANY OTHER CAUSE". THERE CAN BE NO DOUBT THAT THE MOST IMPORTANT SINGLE CAUSE OF CURRENT DIFFICULTIES HAS BEEN ECONOMIC RECESSION. IN THIS RESPECT, THE COMMUNITY HAS NOTED THE EVIDENCE IN THE I.T.C. REPORT THAT TOTAL IMPORTS OF STAINLESS STEEL AND ALLOY TOOL

STEEL HAVE, SINCE 1968, DECLINED BOTH ABSOLUTELY AND RELATIVE TO DOMESTIC PRODUCTION. ONLY BY GOING BACK AS FAR AS 1964 CAN AN INCREASING TREND BE ESTABLISHED. BUT THIS WOULD BE AN INAPPROPRIATE MEASURING PERIOD, AND CONTRARY TO THE GUIDANCE TO THE I.T.C. GIVEN BY THE FINANCE COMMITTEE OF THE UNITED STATES SENATE, TO THE EFFECT THAT:

"THE INCREASE IN IMPORTS REFERRED TO WOULD GENERALLY BE SUCH INCREASES AS HAVE OCCURRED SINCE THE EFFECTIVENESS OF THE MOST RECENT TRADE AGREEMENT CONCESSIONS PROCLAIMED BY THE PRESIDENT, I.E. AS OF NOW, THE EFFECTIVENESS OF THE KENNEDY ROUND CONCESSIONS BEGINNING IN 1968".

IMPORTS FROM THE EUROPEAN COMMUNITY, THE GROUNDS FOR ALLEGATIONS OF INJURY DO NOT EXIST. THERE WAS AN EXCEPTIONAL UPTURN IN THE FOURTH QUARTER OF 1974 AND FIRST QUARTER OF 1975. BUT THIS WAS THE CONSEQUENCE OF A TEMPORARY SHORTAGE OF SPECIALTY STEEL IN THE U.S. EARLIER IN 1974.

FOR THESE REASONS, THE COMMUNITY URGES THE UNITED STATES AUTHORITIES TO USE THE POSSIBILITIES OPEN TO THEM UNDER THE TRADE ACT OF 1974 TO AVOID INTRODUCING RESTRICTIONS ON IMPORTS OF SPECIALTY STEEL FROM THE COMMUNITY. INGERSOLL UNQUOTE KISSINGER

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